

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

AUDIT OF REVENUES RECEIVED FROM CASINO MAGIC IN 1999

INTERNAL AUDIT REPORT 220600-04

OCTOBER 31, 2000



October 31, 2000

Councilwoman Pat Spigener
Shreveport City Council Chairman

Dear Councilwoman Spigener:

Subject: IAR 220600-04 - Audit of Revenues Received from Casino Magic in 1999

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Douglas W. Sanders, CFE, CGFM
Interim City Internal Auditor

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**AUDIT OF
REVENUES RECEIVED
FROM CASINO MAGIC IN 1999
INTERNAL AUDIT REPORT (IAR) 220600-04**

OBJECTIVES

We have completed an audit of the revenues received in 1999 by the City of Shreveport from Casino Magic. Our objectives were to determine whether, as defined in the Collins-Hanna-Walker Compact, the City of Shreveport received the correct amount of revenues.

SCOPE AND METHODOLOGY

Our audit was performed in accordance with generally accepted governmental auditing standards. The scope of the study of internal control was limited to the general controls surrounding our objectives for the operating year 1999. Audit procedures applied included the following:

- Reviewing applicable records and documents.
- Interviewing appropriate operating personnel.

BACKGROUND

On June 25, 1997, the City of Shreveport, City of Bossier, Caddo Parish, and Bossier Parish entered into an agreement with Casino Magic of Louisiana whereby the percentages for the distribution of gaming revenues was agreed upon. The Collins-Hanna-Walker Compact is an agreement that distributes 5.4% of Casino Magic's adjusted gross receipts (AGR) as calculated by the Louisiana Department of Public Safety and Corrections Office of the State Police Riverboat Gaming Division, amongst the City of Shreveport, Caddo Parish, and Bossier City. The agreement was brought about because of the jurisdictional boundaries in which Casino Magic resides. The City of Shreveport receives 22.4125% of the AGR distribution. Casino Magic made payments in 1999 to the City of Shreveport which totaled \$1,657,829.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The Internal Audit Office expresses appreciation to the management of Casino Magic for the cooperation and assistance provided during our audit.

OVERVIEW OF SIGNIFICANT ISSUES

Based on the results of our audit, we determined that monies were received in a timely manner from Casino Magic. However, for the year 1999, the City was underpaid by \$111.39. During the course of the audit, Casino Magic had already made adjustment for the underpayment.

1. Monthly Payments

Criteria: Under the terms of the Collins-Hanna-Walker Compact, Casino Magic makes monthly payments to the City based on the adjusted gross receipts (AGR) as calculated by the Louisiana Department of Public Safety and Corrections Office of the State Police Riverboat Gaming Division (State Police Gaming Division).

The State Police Gaming Division performs quarterly audits of Casino Magic's AGR.

Condition: A comparison of the payments made to the City to payments calculated based on the AGR reported by the State Police Gaming Division indicates that the City was underpaid by \$111.39.

(Auditor's Note: During the course of this audit, Casino Magic management has corrected the underpayment.)

Effect: Possibility of overpayments and underpayments continuing undetected.

Cause: During the course of the year, Casino Magic made adjustments to the AGRs reported to the State Police Gaming Division. However, payments made to the City did not reflect those adjustments.

Recommendation: We recommend that Casino Magic management implement a procedure whereby the AGR that is used as a basis to pay the City of Shreveport is reconciled to the AGR that is reported by the State Police Gaming Division. This procedure should identify any overpayments and underpayments in a timely manner and adjust subsequent monthly payments to the City.

Management's Plan of Action: This has already been addressed on our end. Monthly, we now balance with the State Police, therefore, future occurrences should not occur.

Timetable: Already completed.

Prepared by:

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Staff Auditor

Approved by:

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Interim City Internal Auditor

BP:jm

c: Mayor
CAO
City Council
Clerk of Council
City Attorney
External Auditor